

JOSEPH SCHARF

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<p>1 intermediaries doing the audits beforehand.  2 We had just taken over doing these cost  3 reports. We had not been audited. They had  4 not been final settled, and for me to say,  5 well, there is a credit balance here, yes,  6 that's probably all income, no, I couldn't do  7 that. I would have no way of knowing it.  8 Q. If you had a specific concern about an  9 account, and it was not -- did not amount to  10 the entirety of the tentative settlement,  11 would you be able to say that part of the  12 amount you received is a tentative  13 settlement?  14 A. Yes.  15 Q. Now, you mentioned that you worked with  16 Coopers &amp; Lybrand reviewing the reserves in  17 the CRA accounts; is that correct?  18 A. As I recall, they had one of the auditors  19 come in, and we gave them all the  20 correspondence that we received during that  21 fiscal year, so we gave them -- there was  22 settled cost reports. We would give them the  23 settlement work papers. We would give them  24 the tentative settlements if the rates were  25 changed during the years they received those,</p>	<p>1 Q. Mr. Jirol was a specialist in this area; is  2 that right?  3 MR. TORBORG: Objection.  4 A. Yes.  5 Q. How long have you known Mr. Jirol?  6 A. I believe he came to Blue Cross, started --  7 met him at Blue Cross.  8 Q. When you were at Blue Cross?  9 A. Yes.  10 Q. Was he in the same field as you?  11 A. Yes.  12 Q. And then again you interacted with him at  13 AHERF when he was working at Coopers &amp;  14 Lybrand?  15 A. Yes.  16 Q. And he would come in for a couple days every  17 year to discuss the report, your CRAs with  18 you after you had given this information to a  19 lower level auditor; is that correct?  20 A. Well, he never came in and talked to me for a  21 couple of days. He came in and talked to me  22 for a short period of time.  23 Q. Okay.  24 A. He had reviewed what the auditors --  25 supposedly he reviewed what the auditors had</p>
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<p>1 all the correspondence that came through.  2 We had a separate file that we gave  3 that to them. They reviewed that with their  4 analysis of the account, and they came back  5 and asked questions in regards to that.  6 The auditor then referred it to the  7 manager. The manager had certain questions,  8 and it went up to I guess it was the senior  9 manager for any final questions.  10 Q. So initially it was a lower level auditor who  11 came in and met with you who you gave all  12 this information to?  13 A. Yes.  14 Q. And then they would come back and ask you  15 whatever questions they had?  16 A. Yes.  17 Q. And when they asked you those questions,  18 would you convey to them any information that  19 you believe to be relevant about the  20 accounts?  21 A. Yes.  22 Q. And you said a manager came in. Do you  23 recall if the manager's name in fiscal year  24 '97 was Duane Jirol?  25 A. I'm sure it was.</p>	<p>1 done, and what questions he had he met with  2 me to go over those. That was all. It  3 wasn't -- we did not sit down for a couple of  4 days and go over this.  5 Q. Okay. So he would ask you what questions he  6 had after having reviewed the body of  7 information which you had given to Coopers &amp;  8 Lybrand?  9 A. Yes.  10 Q. And once he had asked you these questions, he  11 and Coopers &amp; Lybrand would come to their own  12 independent conclusions on the CRAs; is that  13 correct?  14 MR. TORBORG: Objection.  15 A. I never got anything, any further feedback  16 from them what they did.  17 Q. Okay. So you never met with them to finalize  18 conclusions or to hear what their final views  19 are on the CRA accounts?  20 A. No.  21 Q. Do you know if Mr. Jirol had any questions  22 regarding the CRAs if he ever consulted with  23 Amy Frazier?  24 A. Amy was the manager on the job. She was  25 running the jobs, as I recall, and I'm sure</p>

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<p>1 he did.</p> <p>2 Q. Did you ever meet with Amy Frazier during the</p> <p>3 fiscal year '97 audit?</p> <p>4 A. I believe one of the years I met with her.</p> <p>5 Q. Did you discuss the CRAs?</p> <p>6 A. Yes.</p> <p>7 Q. Do you recall what you discussed with her?</p> <p>8 A. No.</p> <p>9 Q. Do you recall doing any work with Brian</p> <p>10 Christian?</p> <p>11 A. Yes.</p> <p>12 Q. Who is Brian Christian?</p> <p>13 A. Brian Christian was the auditor that, as I</p> <p>14 recall, when I was on the job for a couple of</p> <p>15 years. At least I know the first or second</p> <p>16 year, first and second year he was the one</p> <p>17 that did all the preliminary workup on the</p> <p>18 CRA accounts.</p> <p>19 Q. Do you recall if Dana Bleckman ever did a</p> <p>20 similar job as Mr. Christian?</p> <p>21 A. That name doesn't ring a bell at all.</p> <p>22 MR. LUFT: I'd like to like to mark</p> <p>23 as Deposition Exhibit 312 a document</p> <p>24 that's --</p> <p>25 MR. TORBORG: 1312. You said 312.</p>	<p>1 at March 31, 1997 and updated through</p> <p>2 June 30, 1997. Summary should include</p> <p>3 beginning balances, cash receipts, cash</p> <p>4 payments, other activity and ending balances;</p> <p>5 is that correct?</p> <p>6 A. Yes.</p> <p>7 Q. Were you responsible for making sure that</p> <p>8 this information was provided to Coopers &amp;</p> <p>9 Lybrand during the fiscal year '97 audit?</p> <p>10 A. I can't recall.</p> <p>11 Q. Do you recall anyone else who may have been</p> <p>12 responsible for this?</p> <p>13 A. If it was asked I would have been the one to</p> <p>14 have furnished it.</p> <p>15 Q. Do you know if this information was provided</p> <p>16 to Coopers &amp; Lybrand?</p> <p>17 A. I imagine so.</p> <p>18 Q. Do you have any reason to believe it wasn't?</p> <p>19 A. No.</p> <p>20 Q. I think the next bullet point states, Analyze</p> <p>21 ending CRA balances for all open years. This</p> <p>22 should include the current year estimate. Do</p> <p>23 you know if this information was provided to</p> <p>24 Coopers &amp; Lybrand?</p> <p>25 A. I'm not sure in some cases we really had a</p>
Page 87	Page 89
<p>1 MR. LUFT: 1312. My mistake, CAN DEP</p> <p>2 01343 through 01354.</p> <p>3 ----</p> <p>4 (Exhibit 1312 marked for identification.)</p> <p>5 ----</p> <p>6 Q. Take a minute and review the document.</p> <p>7 A. ((Witness reviews document.))</p> <p>8 Q. Do you recognize this document?</p> <p>9 A. It looks like a standard memo that went out</p> <p>10 before Coopers come in to do their audit.</p> <p>11 Q. And you were copied on this document;</p> <p>12 correct?</p> <p>13 A. Yes.</p> <p>14 Q. If you could turn to page 3, which is Bates</p> <p>15 numbered CAN DEP 01347. Do you see the</p> <p>16 section in the middle of the page entitled</p> <p>17 Patient Accounts Receivable Including CRA/</p> <p>18 Professional Fee Revenue?</p> <p>19 A. Yes.</p> <p>20 Q. And the section continues on to the next</p> <p>21 page; correct?</p> <p>22 A. Yes.</p> <p>23 Q. Can you turn to the next page, page 4. I</p> <p>24 think it's bullet points four points down.</p> <p>25 It states, Provide a summary of CRA activity</p>	<p>1 lot of documentation to furnish them. We</p> <p>2 could tell them what the activity was, so in</p> <p>3 cases where in '97, basically what we talked</p> <p>4 about earlier, we didn't have anything per</p> <p>5 '95 or '96 because the years were not audited</p> <p>6 or final settled. So it was based on, well,</p> <p>7 here's the documentation we received from the</p> <p>8 third-party payors, and there is nothing, no</p> <p>9 activity for those years, so beginning</p> <p>10 balance and ending balance for most cases</p> <p>11 remained the same.</p> <p>12 Q. Did you have reason to believe that the</p> <p>13 analysis, the ending CRA balances for all</p> <p>14 open years was not provided to Coopers &amp;</p> <p>15 Lybrand?</p> <p>16 A. It wouldn't have changed. I mean, it would</p> <p>17 have been carried forward from year to year</p> <p>18 if they were open.</p> <p>19 Q. But you would have provided them with the</p> <p>20 information you had; correct?</p> <p>21 A. Maybe just verbally from the point of this</p> <p>22 was the same as it was last year. There was</p> <p>23 nothing to give them.</p> <p>24 Q. In all cases where you actually had some</p> <p>25 documentation, though, you gave that over to</p>

JOSEPH SCHARF

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1 COMMONWEALTH OF PENNSYLVANIA ) E R R A T A  
COUNTY OF ALLEGHENY ) S H E E T

2

3 I, JOSEPH SCHARF, have read the forgoing pages  
4 of my deposition given on Tuesday, March 25, 2003,  
5 and wish to make the following, if any, amendments,  
6 additions, deletions or corrections:

7 Page/Line Should Read Reason for Change

8

9

10

11

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22

23

24

25

In all other respects, the transcript is true and  
correct.

JOSEPH SCHARF

Subscribed and sworn to before me this

\_\_\_\_\_ day of \_\_\_\_\_, 2003.

Notary Public

AKF Reference No. Cg74731

**Schrecengost Dep.**

DIANE SCHRECENGOST

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IN THE UNITED STATES DISTRICT COURT FOR THE  
WESTERN DISTRICT OF PENNSYLVANIA

- - - -

THE OFFICIAL COMMITTEE OF )  
UNSECURED CREDITORS OF )  
ALLEGHENY HEALTH, EDUCATION & )  
RESEARCH FOUNDATION, )

Plaintiff, )

-vs-

Civil Action  
No. 00-684

PRICewaterhouseCOOPERS, L.L.P. )  
Defendant. )

- - - -  
VOLUME II

VIDEOTAPE DEPOSITION OF: DIANE SCHRECENGOST

- - - -

DATE: November 8, 2002  
Friday, 9:00 a.m.

LOCATION: MANION McDONOUGH & LUCAS  
14th Floor, USX Tower  
Pittsburgh, PA 15219  
412-232-0200

TAKEN BY: Defendant

REPORTED BY: JoAnn M. Brown, RMR  
Notary Public  
AKF Reference No. JB72791

DIANE SCHRECENGOST

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1 A. I don't. I don't remember.  
 2 Q. Do you remember whether AHERF used similar  
 3 acquisition corporations in any of the previous  
 4 acquisitions?  
 5 A. I don't remember.  
 6 Q. Do you know who handled the legal structuring  
 7 of the Graduate transaction for AHERF?  
 8 A. I don't know. I don't even know if it would  
 9 have been in-house legal or out-of-house legal.  
 10 MR. RYAN: Let me mark, please, as  
 11 Exhibit 807 a document with Bates Nos. DBR DKS  
 12 22402 through 422.  
 13 ----  
 14 (Deposition Exhibit 807 marked for  
 15 identification.)  
 16 ----  
 17 BY MR. RYAN:  
 18 Q. Do you recognize Exhibit 807,  
 19 Mrs. Schrecengost?  
 20 A. It's a checklist, like a program for the  
 21 conduct of the due diligence for the Graduate  
 22 acquisition.  
 23 Q. Did you prepare this checklist?  
 24 A. Yes. It would have been carried forward from  
 25 previous analyses.

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1 Q. So you had experience from the past  
 2 acquisitions as to what items ought to be on  
 3 the checklist?  
 4 A. We used the same checklist for acquisitions  
 5 tailoring it a little bit if the candidates had  
 6 different kinds of operations.  
 7 Q. All right. And if I understand how this  
 8 document works, in the left on each page under  
 9 the heading Area is a listing of the area into  
 10 which you were doing due diligence, is that  
 11 right?  
 12 MR. JONES: Object to form.  
 13 A. It may represent an area that would be looked  
 14 at or documents to be produced or -- it  
 15 includes both documents and topics.  
 16 Q. All right. What is the significance of the  
 17 series of columns in the middle where it says  
 18 produced by?  
 19 A. That would be who was supposed to supply the  
 20 information, where would we get the information  
 21 from.  
 22 Q. And who is GCO?  
 23 A. I don't think it's a person. I'm not sure, but  
 24 I think it may be general counsel's office.  
 25 Q. Would that refer to the Graduate Health System

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1 general counsel's office?  
 2 A. I would think so. They would have to produce  
 3 the information about their organization.  
 4 Q. The next column under the heading Produced By  
 5 states DDL. Do you know who that is?  
 6 A. I don't know who or what that means. I can't  
 7 even think of who that might be.  
 8 Q. All right. Then over on the right is a section  
 9 headed Reviewed By, is that right?  
 10 A. Yes.  
 11 Q. And then the first column underneath there says  
 12 FL. Do you know who that is?  
 13 A. That would be Foley & Lardner.  
 14 Q. And that was an outside law firm that AHERF and  
 15 SDN used, is that right?  
 16 A. They're an -- yeah, they're an outside law firm  
 17 who participated in the review.  
 18 Q. Then the next column is C&L. Is that Coopers &  
 19 Lybrand?  
 20 A. Yes, it is.  
 21 Q. Then the next column is DBR. Do you know who  
 22 that is?  
 23 A. That's Drinker Biddle & Reath.  
 24 Q. All right. Then there's a column headed Other,  
 25 and there are some entries in this column. Let

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1 me refer you to page 10 of the document. Do  
 2 you see there there's an entry that reads  
 3 TLHST?  
 4 A. Yes.  
 5 Q. Do you know who that is?  
 6 A. Tillinghast is their name. There might be  
 7 other names in it, but that's Tillinghast to  
 8 me.  
 9 Q. And they're an actuarial firm?  
 10 A. I don't know. I don't know.  
 11 Q. If you could turn then, please, to page 12, do  
 12 you see that along with some more entries for  
 13 Tillinghast, there's an entry that reads HM?  
 14 A. Yes.  
 15 Q. Do you know who that is?  
 16 A. Honigman Miller.  
 17 Q. I think you mentioned them yesterday. They're  
 18 a law firm?  
 19 A. I think they are.  
 20 Q. If you could turn to the next page, please,  
 21 page 13, along with some more listings for  
 22 Tillinghast and Honigman Miller, there's a  
 23 listing -- well, two listings, actually, for  
 24 MN?  
 25 A. Yes.

3 (Pages 217 to 220)

DIANE SCHRECENGOST

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1 Q. Do you know what that is?  
 2 A. Marsh McLennan. I don't know if I'm saying  
 3 that right.  
 4 Q. They're an insurance specialist?  
 5 A. They reviewed insurance-type areas. I don't  
 6 know exactly what their business is.  
 7 Q. If you could turn to page 15, please, do you  
 8 see that there are half a dozen entries there  
 9 for SPEC. Do you know who that is?  
 10 A. I can't think of the firm name. I can only  
 11 think that it's short for some specialist or --  
 12 I don't know. I can't remember.  
 13 Q. All right. Well, this seems to be in the  
 14 environmental compliance section?  
 15 A. Yes.  
 16 Q. So apparently AHERF and SDN retained some sort  
 17 of outside environmental specialist?  
 18 A. I don't remember.  
 19 Q. And the last column under the Reviewed By  
 20 heading says MGMT. Is that management?  
 21 A. That would have been some internal Allegheny  
 22 persons or person.  
 23 Q. All right. So if there's an X in the due  
 24 diligence checklist in the management column  
 25 and not in any of the columns for the external

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1 Cooney.  
 2 Q. Do you remember who from Coopers & Lybrand  
 3 attended those meetings?  
 4 A. I remember sometimes Bill Buettner did. I  
 5 don't know if he was the only one or if he was  
 6 there every time.  
 7 Q. Do you remember anybody else from Coopers?  
 8 A. No, not specifically.  
 9 Q. Do you remember who attended from Drinker,  
 10 Biddle & Reath?  
 11 A. I think Amy Davis.  
 12 Q. Going back from when we went to Foley &  
 13 Lardner, did Bob Zimmerman attend these  
 14 meetings?  
 15 A. He's one of the people that I know from  
 16 other -- from a lot of projects, and I don't  
 17 remember whether it was Paul or Bob or both.  
 18 Q. How about Becky Serafini?  
 19 A. I remember the name, but I can't -- I mean, I  
 20 can't picture a face, so I'm not sure if I've  
 21 ever met Becky. I remember the name.  
 22 Q. How frequently were these meetings of the due  
 23 diligence team held?  
 24 A. I don't know. A lot of these people were from  
 25 other locations, and I don't remember whether

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1 reviewers, does that mean that that aspect of  
 2 due diligence was handled by a member of  
 3 management of the Allegheny system?  
 4 MR. JONES: Object to form and  
 5 foundation.  
 6 A. There would be several iterations of this as  
 7 the due diligence project would be kicked off.  
 8 I don't know if this is a final or an interim  
 9 version of it, but at least at the time of this  
 10 checklist, that would have meant that it was  
 11 planned that someone from management would  
 12 review that document or that area.  
 13 Q. Were there, in connection with the Graduate  
 14 acquisition, due diligence meetings held?  
 15 A. There were meetings of the team, yes.  
 16 Q. And were they out in Philadelphia?  
 17 A. Yes.  
 18 Q. Who attended those meetings?  
 19 A. My recollection is that representatives of  
 20 these firms attended and internal people.  
 21 Q. Do you remember who from Foley & Lardner  
 22 attended those meetings?  
 23 A. I worked with different people on different  
 24 things. It's hard to remember who worked on  
 25 what. I'm not sure, but it may have been Paul

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1 they were as-needed or regularly scheduled. I  
 2 don't remember.  
 3 Q. What sorts of topics were discussed at these  
 4 meetings?  
 5 A. I remember people saying the status of what  
 6 they had -- where they were or what they had  
 7 reviewed, and in case there was any need for  
 8 cross-knowledge sharing, that would be the  
 9 forum for that to occur in.  
 10 Q. Did the team at these meetings go through this  
 11 due diligence checklist?  
 12 A. I don't think so. Everybody had it and knew  
 13 what their pieces of it were.  
 14 Q. Were there at these meetings discussions about  
 15 whether or not AHERF should proceed with the  
 16 transaction?  
 17 A. This group was not the decision-making body.  
 18 This group was charged with seeing what all of  
 19 this information disclosed. This was not a  
 20 group that was doing any review of upside  
 21 potential or anything like that, so it wouldn't  
 22 have been appropriate for this group to make a  
 23 decision. There were other factors not part of  
 24 this forum that would be needed to make a  
 25 decision on yes or no or good idea, bad idea.

4 (Pages 221 to 224)



DIANE SCHRECENGOST

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1 Q. To whom did the due diligence group report its  
2 findings?  
3 A. There were written reports prepared. They were  
4 actually like tabbed binders, and they were  
5 given to senior management at AHERF. I don't  
6 know where else they may have gone.  
7 Q. And when you say senior management, whom do you  
8 have in mind?  
9 A. Mr. Abdelhak, Nancy Wynstra, Mr. McConnell.  
10 Q. Do you know whether any of the due diligence  
11 reports were provided to the AHERF board?  
12 A. I didn't give them any of them, so I don't know  
13 that.  
14 Q. Did any members of the AHERF board ever ask you  
15 any questions about how the Graduate due  
16 diligence was going?  
17 A. No. All things considered, I was pretty low on  
18 the totem pole. I don't remember.  
19 Q. But you were in charge of coordinating Graduate  
20 due diligence, right?  
21 A. Yes. We had a due diligence area. We had file  
22 cabinets. We had files that matched these  
23 captions.  
24 Q. Who besides you from within Allegheny attended  
25 these due diligence meetings associated with

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1 issues associated with the acquisition of  
2 Graduate entities?  
3 A. Truthfully, I can only remember like one  
4 meeting. As you're asking who's attending, I'm  
5 trying to go around the table and picture who's  
6 there.  
7 For some reason, the only thing I can  
8 remember is employee benefit items that Amy  
9 Davis talked about. I don't know if they were  
10 reporting failures or -- it's such a long time  
11 ago.  
12 Q. Was employee benefits an area for which  
13 Drinker, Biddle & Reath had particular  
14 responsibility?  
15 A. I think so. That was Amy Davis' expertise.  
16 Q. And that's confirmed if we look, I think, at  
17 pages 10 to 11 of Exhibit 807? There are a  
18 bunch of X's in the Drinker, Biddle & Reath  
19 column there?  
20 A. That's what Amy Davis' specialty was.  
21 Q. Do you remember any of the details of what  
22 these employee benefit issues were?  
23 A. It seems to me that they were mostly issues of  
24 compatibility and, you know, if you have to  
25 terminate a plan, what that means and move

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1 the Graduate acquisition?  
2 A. Dwight Kasperbauer. He was in charge of human  
3 resources. I think Steve Spargo. He was in  
4 finance. Dave McConnell. Anne Kelly. I don't  
5 know whether to consider her AHERF or Graduate,  
6 but she was from Graduate and eventually stayed  
7 on and worked for AHERF. Nancy Wynstra.  
8 Possibly Bob McNair. I'm not certain on Bob,  
9 but -- I don't think everybody was at every  
10 meeting. I don't think scheduling permitted  
11 that.  
12 Q. Do you remember anybody from the finance  
13 department besides Mr. McConnell and Mr. Spargo  
14 being at these meetings?  
15 A. Possibly Dan Cancelmi.  
16 Q. Did anything come up at any of the due  
17 diligence meetings that gave you concern about  
18 whether AHERF should be proceeding with the  
19 acquisition?  
20 A. I didn't view that as, you know, my call to  
21 make. Problems or issues that would have been  
22 identified by anybody would be discussed, yes.  
23 Whether any of them constituted a deal breaker  
24 was not my judgment call.  
25 Q. Do you remember any particular problems or

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1 people into another plan. There may have been  
2 some reporting, like compliance reporting  
3 deficiencies. A lot of this same team worked  
4 on other due diligence projects together, and  
5 they kind of mix in my head. There were other  
6 due diligence initiatives going on at the same  
7 time as Graduate in Western Pennsylvania.  
8 Q. Such as the Forbes Health System?  
9 A. Yes.  
10 Q. And Allegheny Valley Hospital?  
11 A. Yes.  
12 Q. Do you remember anybody, whether it be in these  
13 due diligence meetings or in some other forum,  
14 raising with you any concerns about proceeding  
15 with the Graduate acquisition?  
16 A. In any kind of a formal way, no.  
17 Q. How about in an informal way?  
18 A. Not particularly. I mean, it was going to be a  
19 lot of work for everybody. In conversation,  
20 somebody may have said, you know, I wish we  
21 wouldn't do this, but I don't think that's what  
22 you mean.  
23 Q. You don't remember anybody ever saying if they  
24 thought this was a bad acquisition for AHERF?  
25 A. That's not my decision to make. You know, that



DIANE SCHRECENGOST

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1 Q. And the memo is copied to them with an  
 2 attachment, right?  
 3 A. Yes.  
 4 Q. Apart from Mr. Abdelhak, Mr. Dionisio,  
 5 Dr. Kaye, Mr. Morrison and Ms. Harrington, are  
 6 you aware of anybody outside AHERF's internal  
 7 audit department who received a copy of the  
 8 special billing project report marked as  
 9 Exhibit 796?  
 10 A. I don't remember. I don't remember. Without  
 11 some kind of trigger, I don't know.  
 12 MR. RYAN: I have nothing further.  
 13 Thank you.  
 14 THE WITNESS: Oh, thank you.  
 15 MR. JONES: And I have nothing as  
 16 well.  
 17 THE WITNESS: Thank you.  
 18 THE VIDEOGRAPHER: With there being  
 19 no further questions, this deposition is  
 20 concluded at 1:57.  
 21 ----  
 22 (The proceedings were concluded at 1:57 p.m.)  
 23 ----  
 24  
 25

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1 COMMONWEALTH OF PENNSYLVANIA ) ERRATA  
 2 COUNTY OF ALLEGHENY ) SHEET  
 3 I, DIANE SCHRECENGOST, have read the foregoing  
 4 pages of my deposition given on Friday, November 8,  
 5 2002, and wish to make the following, if any,  
 6 amendments, additions, deletions or corrections:  
 7  
 8  
 9  
 10  
 11  
 12  
 13  
 14  
 15  
 16  
 17  
 18  
 19  
 20 In all other respects, the transcript is true and  
 21 correct.  
 22  
 23 \_\_\_\_\_  
 24 DIANE SCHRECENGOST  
 25  
 26 Subscribed and sworn to before me this  
 27 \_\_\_\_\_ day of \_\_\_\_\_, 2002.  
 28  
 29 \_\_\_\_\_  
 30 Notary Public  
 31 AKF Reference No. JB72791

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1 COMMONWEALTH OF PENNSYLVANIA ) CERTIFICATE  
 2 COUNTY OF ALLEGHENY ) SS:  
 3 I, JoAnn M. Brown, RMR, a Court Reporter and  
 4 Notary Public in and for the Commonwealth of  
 5 Pennsylvania, do hereby certify that the witness,  
 6 DIANE SCHRECENGOST, was by me first duly sworn to  
 7 testify to the truth; that the foregoing deposition  
 8 was taken at the time and place stated herein; and  
 9 that the said deposition was recorded  
 10 stenographically by me and then reduced to printing  
 11 under my direction, and constitutes a true record of  
 12 the testimony given by said witness.  
 13 I further certify that the inspection, reading  
 14 and signing of said deposition were NOT waived by  
 15 counsel for the respective parties and by the  
 16 witness.  
 17 I further certify that I am not a relative or  
 18 employee of any of the parties, or a relative or  
 19 employee of either counsel, and that I am in no way  
 20 interested directly or indirectly in this action.  
 21 IN WITNESS WHEREOF, I have hereunto set my hand  
 22 and affixed my seal of office this 12th day of  
 23 November, 2002.  
 24  
 25 \_\_\_\_\_  
 26 Notary Public

38 (Pages 357 to 359)

**Schwartz Dep.**

**In The Matter Of:**

*AHERF v.  
PRICEWATERHOUSECOOPERS, LLP*

---

**JAMES SCHWARTZ**  
*March 11, 2005*

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**SCHWARTZ, JAMES - Vol.**



JAMES SCHWARTZ

<p style="text-align: right;">Page 50</p> <p>1 about?</p> <p>2 A It is.</p> <p>3 Q I'm just curious. Who is the publisher</p> <p>4 of the book?</p> <p>5 A Publisher of the book was Jossey-Bass.</p> <p>6 They're no longer a separate house. I think</p> <p>7 they've been merged a couple of times. The</p> <p>8 royalty checks changed names several times. They</p> <p>9 weren't so big, but they changed names.</p> <p>10 Q And what kind of -- at the time that the</p> <p>11 book was published, what -- what kind of a</p> <p>12 publishing house was Jossey-Bass?</p> <p>13 A They were a publishing house that I was</p> <p>14 told published in this area, and somebody on our</p> <p>15 behalf contacted them. And they said they were</p> <p>16 interested, and so we chatted with them about it.</p> <p>17 Q In the area of corporate governance?</p> <p>18 A In the area of corporate governance and</p> <p>19 health care generally.</p> <p>20 Q As far as you can tell, they are a</p> <p>21 reputable publisher?</p> <p>22 A I certainly think so.</p> <p>23 Q Do you know what kind of standards they</p> <p>24 had for their authors?</p>	<p style="text-align: right;">Page 52</p> <p>1 the front flap whether that's something that you</p> <p>2 as the author wrote or the publisher put there</p> <p>3 or -- or what?</p> <p>4 A I don't recall.</p> <p>5 Q If you look at the last paragraph on that</p> <p>6 front flap there --</p> <p>7 A Mm-hmm.</p> <p>8 Q -- it describes you and your co-author,</p> <p>9 Mr. -- Mr. Horn --</p> <p>10 A Mm-hmm.</p> <p>11 Q -- as "The nation's leading experts in</p> <p>12 the health care conversion field."</p> <p>13 A Mm-hmm.</p> <p>14 Q Closed quote.</p> <p>15 I take it that's something that you would</p> <p>16 agree with?</p> <p>17 A Well, we would try to be more humble than</p> <p>18 that, but we think we're very well-qualified in</p> <p>19 the area.</p> <p>20 Q So it may be the publisher who put that</p> <p>21 there?</p> <p>22 A That might very well be.</p> <p>23 Q Okay. And you're confident in the</p> <p>24 publisher's ability to check what they put on</p>
<p style="text-align: right;">Page 51</p> <p>1 A No, I don't.</p> <p>2 Q Do you know of any other publishing</p> <p>3 houses that publish in the field of corporate</p> <p>4 governance and health care?</p> <p>5 A At the time the -- the American Hospital</p> <p>6 Association had a -- a publishing arm I think, and</p> <p>7 I believe we talked to somebody there as well.</p> <p>8 They were interested in publishing.</p> <p>9 Q And -- I'm sorry? They were interested</p> <p>10 in publishing this book?</p> <p>11 A They were interested in publishing as</p> <p>12 well.</p> <p>13 Q So -- and you chose between the two of</p> <p>14 them?</p> <p>15 A That's correct.</p> <p>16 Q Any others other than Jossey-Bass and the</p> <p>17 American Hospital Association?</p> <p>18 A I don't remember any.</p> <p>19 Q Okay. I'm just curious. If you open the</p> <p>20 front flap.</p> <p>21 A Mm-hmm.</p> <p>22 Q Look at the flap.</p> <p>23 A Mm-hmm.</p> <p>24 Q Do you recall who wrote the paragraphs on</p>	<p style="text-align: right;">Page 53</p> <p>1 their flaps?</p> <p>2 MS. MEADEN: Objection.</p> <p>3 THE WITNESS: I don't know the answer to that.</p> <p>4 I -- I'm assuming that as I read that that it says</p> <p>5 we did this in clear and concise nonlegal</p> <p>6 language. I hope that's true. That's what we</p> <p>7 were trying to do.</p> <p>8 Q And your understanding, I take it, is</p> <p>9 that they would want to publish authors who were</p> <p>10 leaders in their field, not just some schmuck,</p> <p>11 right?</p> <p>12 MS. MEADEN: Objection. Foundation. Form.</p> <p>13 THE WITNESS: I would hope so, but I --</p> <p>14 MR. FRIESEN: Q Let me show you your report.</p> <p>15 This may have been marked already in another</p> <p>16 deposition, but I'm going to mark it here as</p> <p>17 Exhibit 6040.</p> <p>18 (WHEREUPON Exhibit 6040 was marked</p> <p>19 for identification)</p> <p>20 MR. FRIESEN: Q And do you recognize this,</p> <p>21 sir, as a copy of your expert report submitted in</p> <p>22 this matter?</p> <p>23 A Yes.</p> <p>24 Q Okay. This is not the first time you</p>

14 (Pages 50 to 53)

JAMES SCHWARTZ

<p style="text-align: right;">Page 54</p> <p>1 have seen this report I take it?</p> <p>2 A That's a fair statement.</p> <p>3 Q If you look at the first page carrying on</p> <p>4 to the second page, third line from the bottom of</p> <p>5 first page --</p> <p>6 A Okay.</p> <p>7 Q -- it says, "I am experienced and</p> <p>8 knowledgeable both in the legal requirements and</p> <p>9 constraints under which officers, directors and</p> <p>10 senior management function in carrying out their</p> <p>11 fiduciary obligations and in the manner in which</p> <p>12 officers, directors and senior management of</p> <p>13 nonprofit organizations operating in the health</p> <p>14 care industry should and do react to consequential</p> <p>15 matters facing their organizations."</p> <p>16 Do you see that?</p> <p>17 A I do.</p> <p>18 Q And you would agree with me, would you</p> <p>19 not, that just like anybody else, the way</p> <p>20 directors of nonprofit organizations operating in</p> <p>21 the health care industry should act is not always</p> <p>22 the same as the way they do act?</p> <p>23 A That's a fair statement.</p> <p>24 Q Sometimes they do exactly what they</p>	<p style="text-align: right;">Page 56</p> <p>1 One of things that you mentioned earlier</p> <p>2 this morning that a nonprofit director has is a</p> <p>3 duty of care, right?</p> <p>4 A That's correct.</p> <p>5 Q Okay. And would you agree with me that</p> <p>6 the duty of care is frequently violated by</p> <p>7 nonprofit directors?</p> <p>8 MS. MEADEN: Objection. Vague.</p> <p>9 THE WITNESS: I don't know that that's a fair</p> <p>10 statement. I would hope it's infrequent.</p> <p>11 MR. FRIESEN: Q So just as starkly as I</p> <p>12 stated it, you couldn't agree with that?</p> <p>13 A No, I --</p> <p>14 MS. MEADEN: Same objection. Vague.</p> <p>15 Foundation.</p> <p>16 THE WITNESS: I can't -- I can't generalize</p> <p>17 like that.</p> <p>18 MR. FRIESEN: Q How many ways are there to</p> <p>19 violate the duty of care?</p> <p>20 MS. MEADEN: Objection. Vague.</p> <p>21 THE WITNESS: I think that's a function of the</p> <p>22 creativity of the people who are violating it.</p> <p>23 The standards are -- are reasonably clear. But if</p> <p>24 one is intent on violating the duty of care, I</p>
<p style="text-align: right;">Page 55</p> <p>1 should do, right?</p> <p>2 A Hopefully.</p> <p>3 Q And sometimes directors of nonprofit</p> <p>4 organizations operating in the health care</p> <p>5 industry do not react to consequential matters</p> <p>6 facing their organization the way they should,</p> <p>7 right?</p> <p>8 A That's also true.</p> <p>9 Q And that's why -- one of the reasons why</p> <p>10 it's helpful for nonprofit directors to have a</p> <p>11 book like the one that -- that you wrote or to</p> <p>12 listen to you at a speaking engagement or to hire</p> <p>13 you, right?</p> <p>14 A The latter particularly.</p> <p>15 Q You'll get your royalty on the book.</p> <p>16 One of things that you mentioned earlier</p> <p>17 that a nonprofit director or trustee -- I may use</p> <p>18 those words interchangeably as you might. But</p> <p>19 when I say "nonprofit director," you understand</p> <p>20 that sometimes they're called trustees, right?</p> <p>21 A I'll assume you're talking about</p> <p>22 corporate directors and trustees as distinguished</p> <p>23 from those with a -- with a trust itself.</p> <p>24 Q Yes, yes. Exactly.</p>	<p style="text-align: right;">Page 57</p> <p>1 assume one could be fairly creative and find</p> <p>2 multiple ways to do so.</p> <p>3 MR. FRIESEN: Why don't we take our -- our</p> <p>4 quick break. Good time for a break?</p> <p>5 MS. MEADEN: Sure.</p> <p>6 THE VIDEOGRAPHER: We are going off the</p> <p>7 record. The time is 9:20 a.m.</p> <p>8 (Whereupon a break was had)</p> <p>9 THE VIDEOGRAPHER: Okay. We're back on the</p> <p>10 video record. The time is 9:31 a.m.</p> <p>11 MR. FRIESEN: Q Mr. Schwartz, we spoke</p> <p>12 earlier about things that you believe nonprofit</p> <p>13 boards should do when faced with the prospect of a</p> <p>14 sale or conversion of an asset to a for-profit</p> <p>15 organization, and I will ask you just a couple</p> <p>16 more questions about that now.</p> <p>17 Is -- is one of things that -- that a</p> <p>18 board should do in terms of making sure that the</p> <p>19 process goes appropriately to get advice from --</p> <p>20 from an outside consultant?</p> <p>21 A It's not required under the law, but it</p> <p>22 is oftentimes useful to have investment banking</p> <p>23 firms assist in the -- in the sale of substantial</p> <p>24 assets.</p>

15 (Pages 54 to 57)

JAMES SCHWARTZ

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02:56:30 1 IN THE UNITED STATES DISTRICT COURT  
 02:56:30 2 FOR THE WESTERN DISTRICT OF PENNSYLVANIA  
 02:56:30 3 THE OFFICIAL COMMITTEE OF )  
 UNSECURED CREDITORS OF ALLEGHENY)  
 02:56:30 4 HEALTH, EDUCATION AND RESEARCH )  
 FOUNDATION, )  
 02:56:30 5 )  
 Plaintiff, )  
 02:56:30 6 )  
 vs. ) Case No. 00-684  
 02:56:30 7 )  
 PRICEWATERHOUSECOOPERS, LLP, )  
 02:56:30 8 )  
 Defendant. )

02:56:30 9  
 02:56:30 10 I hereby certify that I have read the  
 02:56:30 11 foregoing transcript of my deposition given at the  
 02:56:30 12 time and place aforesaid, consisting of Pages 1 to  
 02:56:30 13 225, inclusive, and I do again subscribe and make  
 02:56:30 14 oath that the same is a true, correct, and  
 02:56:30 15 complete transcript of my deposition so given as  
 02:56:30 16 aforesaid, and includes changes, if any, so made  
 02:56:30 17 by me.

02:56:30 18  
 02:56:30 19  
 02:56:30 20 JAMES SCHWARTZ

02:56:30 21 SUBSCRIBED AND SWORN TO before me this

02:56:30 22 \_\_\_\_\_ day of \_\_\_\_\_, 2005.

02:56:30 23 \_\_\_\_\_  
 02:56:30 24 Notary Public

JAMES SCHWARTZ

Page 225

02:56:30	1	CASE:	AHERF V. PRICEWATERHOUSECOOPERS
02:56:30	2	DATE TAKEN:	3-11-05
02:56:30	3	DEPONENT:	JAMES SCHWARTZ
02:56:30	4	PAGE	LINE
			ERRATA SHEET
02:56:30	5	<u>21</u>	<u>24</u> CHANGE: "conversionary" to "reversionary"
02:56:30	6		REASON: <u>mistranscribed</u>
02:56:30	7	<u>37</u>	<u>14</u> CHANGE: "Jeff" to "Chet"
02:56:30	8		REASON: <u>mistranscribed.</u>
02:56:30	9	<u>74</u>	<u>20</u> CHANGE: <u>add "and" after "young"</u>
02:56:30	10		REASON: <u>word omitted.</u>
02:56:30	11	<u>158</u>	<u>24</u> CHANGE: <u>add "and" after "junior"</u>
02:56:30	12		REASON: <u>word omitted</u>
02:56:30	13		CHANGE: _____
02:56:30	14		REASON: _____
02:56:30	15		CHANGE: _____
02:56:30	16		REASON: _____
02:56:30	17		CHANGE: _____
02:56:30	18		REASON: _____
02:56:30	19		CHANGE: _____
02:56:30	20		REASON: _____
02:56:30	21		CHANGE: _____
02:56:30	22		REASON: _____
02:56:30	23	(SIGNED)	_____
02:56:30	24	Reporter:	Janyce Booth



**Sculley Dep.**

**In The Matter Of:**

***AHERF v.  
PRICEWATERHOUSECOOPERS, L.L.P.***

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***DAVID W. SCULLEY***  
***December 3, 2003***

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***LEGALINK MANHATTAN***  
***420 Lexington Avenue - Suite 2108***  
***New York, NY 10170***  
***PH: 212-557-7400 / FAX: 212-692-9171***

**SCULLEY, DAVID W.**



DAVID W. SCULLEY

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1 AHERF, loans being discussed in this meeting?  
 2 A. No.  
 3 Q. Do you recall any sense of disappointment in or  
 4 concern or stronger sentiments on the part of  
 5 anyone in the room with respect to the  
 6 revelations that intercompany loans from  
 7 western enterprises to eastern enterprises  
 8 within AHERF had been -- had come to light?  
 9 MR. FRIESEN: Objection.  
 10 A. I don't recall that.  
 11 Q. And I apologize for the probing at length. I'm  
 12 just trying to make sure that if I have the  
 13 opportunity to prod your memory with a few  
 14 issues, I've exercised it, and I just have a  
 15 couple more.  
 16 Do you recall discussions of the  
 17 repayment of the line of credit in a  
 18 substantial amount, that is tens of millions,  
 19 to any Mellon related financial institution  
 20 being discussed in this meeting or in any  
 21 conversations you had about Mr. Abdelhak's  
 22 departure?  
 23 A. No.  
 24 Q. Have you told us everything that you can recall  
 25 about the meeting?

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1 A. I've racked my brain. Maybe sodium Pentothal  
 2 would be better.  
 3 Q. I have none handy.  
 4 MR. FRIESEN: Maybe next time.  
 5 Q. And I appreciate the effort.  
 6 Mr. Sculley, you told us about your  
 7 not-for-profit and your for-profit board  
 8 service, and I'm not going to revisit that, but  
 9 suffice it to say, you have some experience in  
 10 the role?  
 11 A. Yes.  
 12 Q. Both at AHERF and in other enterprises?  
 13 A. Yes.  
 14 Q. And in that experience, what do you see as the  
 15 role and what did you see as the role of a  
 16 not-for-profit board member during your AHERF  
 17 board service or AGH board service, the role of  
 18 the board member?  
 19 A. I think to provide an experience and outside  
 20 overview, to ensure that governance issues were  
 21 followed, to ensure that the right management  
 22 was in place, to ensure the health of the  
 23 system and that -- to help ensure that  
 24 management delivered or came close to  
 25 delivering their financial commitments.

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1 Q. And did you see as a part of that role that if  
 2 facts came to light that suggested that the  
 3 right management was not in place, that that  
 4 management be removed?  
 5 A. Yes.  
 6 Q. And as an outside board member, that is not an  
 7 employee of AHERF or AGH, did you look to  
 8 outside professionals like auditors and lawyers  
 9 and consultants to assist you in your role?  
 10 A. In the role evaluating management?  
 11 Q. In the role as a trustee generally first.  
 12 A. As a trustee generally first, we looked first  
 13 to management in evaluating performance of the  
 14 organization, but obviously we would depend  
 15 upon auditors to ensure that the financial  
 16 numbers were sound.  
 17 In the case of compensation for the  
 18 executives, we would to some extent depend  
 19 upon, as I recall, surveys of other similar  
 20 institutions to get -- make sure that they were  
 21 in the right quartiles and so forth.  
 22 Q. And what is the role that you understood that  
 23 the auditors at AHERF and AGH, Coopers &  
 24 Lybrand, played in connection with the review  
 25 and presentation of those enterprises'

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1 financial statements?  
 2 A. I would think my understanding would be the  
 3 same as any organization I would be involved  
 4 with, whether it be public or private.  
 5 Q. And generally what did you understand at the  
 6 time that those auditors did?  
 7 A. Verify the -- the soundness of financial  
 8 statements as prepared by management.  
 9 Q. And when you say verification, do you mean to  
 10 imply some sort of outside or independent  
 11 review of management's work?  
 12 A. Yes.  
 13 Q. What is the significance, as you understood it,  
 14 in the mid-'90s during your AGH and AHERF board  
 15 service of a clean auditor's opinion on an  
 16 annual basis?  
 17 A. Certainly one that didn't have a going concern  
 18 issue to it, and I guess not being an  
 19 accountant, not having trained, not having  
 20 studied it, and I'm really not an expert in  
 21 reading management letters, but I can read the  
 22 words going concern, and so that would be the  
 23 one that would flash a whole lot of lights to  
 24 me.  
 25 Q. And when you say going concern, for those who

37 (Pages 142 to 145)

DAVID W. SCULLEY

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1 may read your testimony or view the videotape  
 2 that don't know what those words meant to you,  
 3 what did they mean to you in this time period?  
 4 A. They would mean that there was an unlikely  
 5 ability for the company to survive within the  
 6 next 12 months.  
 7 Q. Did you ever see those words in a report from  
 8 the auditors for AHERF or AGH?  
 9 A. I don't ever recall seeing those words.  
 10 Q. You understood during your board service at  
 11 AHERF and AGH that enterprises or individuals  
 12 outside of AHERF reviewed these audited  
 13 financial statements as well?  
 14 A. Are you talking about the auditors, or other  
 15 ones other than the auditors?  
 16 Q. Third parties other than the auditors actually  
 17 saw the audited financial statements?  
 18 A. Why don't you give me more on that.  
 19 Q. Creditors, vendors --  
 20 A. Oh.  
 21 Q. -- bond trustees and the like? Did you  
 22 understand that?  
 23 A. I didn't know exactly the list, but certainly  
 24 for -- in the case of bond trustees, et cetera,  
 25 I would think that they would have access to

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1 that information.  
 2 Q. And I think you told us this, but it was your  
 3 practice to review the audited financial  
 4 statements when you received them each year  
 5 during your board service with particular  
 6 attention in your practice to the profit and  
 7 loss statement?  
 8 A. Yes, but, you know, primarily it was of benefit  
 9 to be at the meetings where the head of the  
 10 audit committee would take you through the  
 11 numbers.  
 12 Q. And I understand --  
 13 A. Because that to me was -- was very important to  
 14 understand the context and their point of view.  
 15 Q. I understand that, and it was still nonetheless  
 16 your practice to review the actual documents  
 17 themselves when you got them?  
 18 A. I wouldn't say I studied them in detail, but I  
 19 would thumb through it looking maybe at the P &  
 20 L and also scanning the audit letter to make  
 21 sure there wasn't anything catastrophic in  
 22 there, but I can't tell you that I sat down for  
 23 hours and studied the report from the auditors.  
 24 Q. And when you say the audit letter, you mean the  
 25 report on the financial statement itself, the

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1 narrative report; is that what you meant to  
 2 refer to?  
 3 A. I think the cover letter.  
 4 Q. I'm sorry?  
 5 A. The cover letter.  
 6 Q. How did you use the audited financial  
 7 statements in your oversight function and any  
 8 report you received on them at a meeting?  
 9 MR. FRIESEN: Objection.  
 10 A. Well, I'm not sure I understand the question,  
 11 how I used them.  
 12 Q. Let me try again. You reviewed them in the way  
 13 you just described. You listened to  
 14 management's or an audit committee  
 15 representative's description of the highlights  
 16 at these meetings. Am I right so far?  
 17 A. Mm-hmm.  
 18 Q. Is that a yes?  
 19 A. Yes.  
 20 Q. And with that information, what did you do?  
 21 A. If I had any questions, I would ask them at the  
 22 meeting.  
 23 Q. Did you consider the information that you  
 24 learned through this process helpful to you in  
 25 engaging the financial performance of the

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1 enterprise?  
 2 A. Reasonably. I mean I would view, frankly,  
 3 the -- as long as there was a clean audit, I  
 4 was listening primarily to internal management.  
 5 Q. But an unclear audit would have caused you  
 6 concern obviously then?  
 7 A. If I had seen the words "going concern," I  
 8 would have had a whole lot of questions.  
 9 Q. You I think testified earlier that you received  
 10 internally-generated financial statements on  
 11 essentially a quarterly basis as well?  
 12 A. Yes.  
 13 Q. And did you ever see anything in the audited  
 14 financial statements that you received that led  
 15 you to question the accuracy of the internal  
 16 financial statements that you had been  
 17 receiving?  
 18 A. I don't recall that.  
 19 Q. As I think we have established that it's your  
 20 recollection that though you may have served  
 21 for a very brief time on the audit committee,  
 22 you did not attend an audit committee meeting,  
 23 what do you recall about how the audited  
 24 financial statements were presented to the  
 25 larger AHERF board?

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DAVID W. SCULLEY


Page 161

1 COMMONWEALTH OF PENNSYLVANIA ) E R R A T A  
 2 COUNTY OF ALLEGHENY ) S H E E T

3 I, David W. Sculley, have read the foregoing  
 4 pages of my deposition given on Wednesday, December  
 5 3, 2003, and wish to make the following, if any,  
 6 amendments, additions, deletions or corrections:

7 Page/Line Should Read Reason for Change  
 8  
 9  
 10  
 11  
 12  
 13  
 14  
 15  
 16  
 17  
 18  
 19

20 In all other respects, the transcript is true and  
 21 correct.

22   
 DAVID W. SCULLEY

23 Subscribed and sworn to before me this  
 24 7th day of January, <sup>2004</sup>~~2003~~.

Dorothy A. Mitsdarfer

Notary Public

25 AKF Reference No. HW78455

Notarial Seal  
 Dorothy A. Mitsdarfer, Notary Public  
 City of Pittsburgh, Allegheny County  
 My Commission Expires Jan. 17, 2006  
 Member, Pennsylvania Association of Notaries



**In The Matter Of:**

***AHERF v.  
PRICEWATERHOUSE***

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**GARY SEYBOLD**

***September 24, 2004***

---

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***420 Lexington Avenue - Suite 2108***  
***New York, NY 10170***  
***PH: 212-557-7400 / FAX: 212-692-9171***

**SEYBOLD, GARY**





Page 5

1 Gary Seybold  
 2 Q. Just as background, when did you  
 3 attend college?  
 4 A. September 1979 to May of 1983.  
 5 Q. And where did you attend college?  
 6 A. Ursinus College, Collegeville, PA.  
 7 Q. Do you have any Master -- I'm sorry.  
 8 Do you have any graduate degrees?  
 9 A. I do.  
 10 Q. And what are they?  
 11 A. Master of Business Administration.  
 12 Q. And where did you receive your  
 13 Master's from?  
 14 A. Villanova University.  
 15 Q. When did you graduate?  
 16 A. December 1991.  
 17 Q. Where are you currently employed?  
 18 A. Loan Pro.  
 19 Q. And what is Loan Pro?  
 20 A. Loan Pro is a third-party outsource  
 21 provider for loan fulfillment.  
 22 Q. And what is your title at Loan Pro?  
 23 A. President and CEO.  
 24 Q. How long have you been with Loan  
 25 Pro?

Page 6

1 Gary Seybold  
 2 A. 11 months.  
 3 Q. When were you employed with  
 4 CoreStates?  
 5 A. September 12, 1983, to August 25,  
 6 1995.  
 7 Q. What were your titles when you were  
 8 employed with CoreStates? You can begin when  
 9 you were first employed in 1983.  
 10 A. Commercial bank analyst, cash  
 11 management analyst --  
 12 Q. And if you could just give me the  
 13 year, or approximately the year -- I know you  
 14 don't remember exactly -- when you changed  
 15 titles.  
 16 A. 1983 to December 1985 would be the  
 17 analyst positions; cash management officer  
 18 from 1985 to 1986; assistant vice-president  
 19 1986 to 1987; vice-president 1988 to 1995,  
 20 when I left.  
 21 Q. Can you explain your duties when you  
 22 were cash manager?  
 23 A. My responsibilities were to sell  
 24 cash-management products and services to the  
 25 large corporate clients of the bank, primarily

Page 7

1 Gary Seybold  
 2 in Southeast United States, Southwest, and  
 3 West Coast.  
 4 Q. And what exactly would you do to  
 5 fulfill your responsibilities?  
 6 A. I would work with the relationship  
 7 managers that actually managed the  
 8 relationships and were responsible for the  
 9 relationships in calling on the assistant  
 10 treasurers, treasurers, chief financial  
 11 officers in order to try to solicit their  
 12 business, their cash-management business, on  
 13 behalf of CoreStates.  
 14 Q. And when you became vice-president,  
 15 what were your responsibilities then?  
 16 A. I was a senior cash management  
 17 officer. And at that time I was doing both  
 18 sales and product development, primarily  
 19 focused on the retail industry.  
 20 Q. And can you just give me more of a  
 21 description on what you actually did to  
 22 fulfill those responsibilities?  
 23 A. I primarily worked on developing and  
 24 enhancing products, noncredit products, that  
 25 the retailers would use. And then my job was

Page 8

1 Gary Seybold  
 2 to create a marketing strategy and execute  
 3 that strategy in the retail industry.  
 4 I would then be charged with  
 5 defining the prospects, and then executing a  
 6 calling plan and calling on those clients for  
 7 potential business.  
 8 Q. When you left CoreStates in 1995,  
 9 what was the reason?  
 10 A. I had an opportunity to manage the  
 11 treasury group for GMAC Mortgage.  
 12 Q. So you went with GMAC Mortgage. And  
 13 how long were you there?  
 14 A. August 28, 1995, to January 3, 2003.  
 15 MR. PAYNE: I want to mark as  
 16 Exhibit 2730 a Subpoena that was issued  
 17 to Wachovia on July 14, 2004.  
 18 Do you know what, I am sorry,  
 19 it has been marked as Exhibit 2663.  
 20 MR. BOCCASSINI: 2663?  
 21 MR. PAYNE: Right.  
 22 BY MR. PAYNE:  
 23 Q. Mr. Seybold, feel free to look at  
 24 the entire document, but I want to direct your  
 25 attention to the list of topics to be

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1 Gary Seybold  
 2 examined.  
 3 Have you reviewed this list of  
 4 topics before?  
 5 A. Yes.  
 6 Q. And on which topics are you prepared  
 7 to testify today?  
 8 A. Topics 9 through 14. Though 15 I'm  
 9 not -- I may, but I'm not sure because of the  
 10 date, how much information would be required,  
 11 since it is after I left.  
 12 Q. On the last page, Topics 16 and 17?  
 13 A. No.  
 14 Q. What did you do to prepare to  
 15 testify on these topics? And I'm not trying  
 16 to get the substance of any contact you had  
 17 with your attorneys.  
 18 A. I received information from the  
 19 attorneys and I reviewed them, I think, three  
 20 times, and that was about all.  
 21 MR. PAYNE: Now I actually want  
 22 to mark an exhibit. This will be 2730.  
 23 It is a document bearing the Bates stamp  
 24 Foley 21266 through 21275.  
 25 (Document marked for

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1 Gary Seybold  
 2 identification as Exhibit 2730.)  
 3 BY MR. PAYNE:  
 4 Q. Again, feel free to review the  
 5 entire document, but I do want to direct your  
 6 attention to the page with the stamp 21273.  
 7 A. Okay.  
 8 Q. Is this your signature on Page  
 9 21273?  
 10 A. Yes.  
 11 Q. And did you prepare this document?  
 12 A. From the standpoint of reviewing it  
 13 and signing it, yes.  
 14 Q. And what are you suggesting, certain  
 15 materials --  
 16 A. These type of agreements are  
 17 prepared by the administrative assistant  
 18 within the group and handed to the respective  
 19 officer for signature, for review and  
 20 signature.  
 21 Q. So the actual terms of the  
 22 agreement, are you saying that you didn't  
 23 necessarily prepare?  
 24 A. This is just a standard agreement  
 25 that's reflective of the line that was in

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1 Gary Seybold  
 2 place at that time.  
 3 Q. What is this document?  
 4 A. It is a standard agreement between  
 5 the borrower and lender which outlines at a  
 6 high level the parameters by which the  
 7 borrower can borrow against the line of  
 8 credit.  
 9 Q. And is it referred to as a Master  
 10 Note Agreement?  
 11 A. Correct.  
 12 Q. And the borrower on this Master Note  
 13 Agreement is Hahnemann University Hospital?  
 14 A. Correct.  
 15 Q. And it is dated March 6, 1995?  
 16 A. Correct.  
 17 Q. And it is for a \$7.5 million line of  
 18 credit?  
 19 A. Yes.  
 20 Q. What was your role with respect to  
 21 the \$7.5 million line of credit?  
 22 A. In this instance, it was the renewal  
 23 of that line of credit.  
 24 Q. And what is the renewal of a line of  
 25 credit?

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1 Gary Seybold  
 2 A. Lines of credit are for a term. And  
 3 this line of credit expired, the old one  
 4 expired, and so you have to put a new one in  
 5 place if the company wants to continue using  
 6 that line.  
 7 MR. PAYNE: I want to mark as  
 8 Exhibit 2731 a document bearing the Bates  
 9 stamp 21185 through 21193.  
 10 MR. TORBORG: That should be  
 11 Foley.  
 12 MR. PAYNE: Yes. I didn't say  
 13 it. Okay. So the Bates stamp is Foley  
 14 21185 through 21193.  
 15 (Document marked for  
 16 identification as Exhibit 2731.)  
 17 BY MR. PAYNE:  
 18 Q. I want to direct your attention on  
 19 this document to the page Bates stamped 21192.  
 20 A. Okay.  
 21 Q. And, again, is this your signature?  
 22 A. No.  
 23 Q. And do you see the slash next to  
 24 your signature with the initials FEB?  
 25 A. Yes.

3 (Pages 9 to 12)

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1 Gary Seybold  
 2 Q. Do you know who those -- those  
 3 initials, do you know who they refer to?  
 4 A. I can't recall.  
 5 Q. Do those initials indicate that  
 6 someone signed this document for you?  
 7 A. Yes.  
 8 Q. Do you believe that you authorized  
 9 whoever signed this --  
 10 A. Yes.  
 11 Q. -- for you to sign it for you?  
 12 A. Yes.  
 13 Q. What is this document?  
 14 A. This is also a Master Note  
 15 Agreement.  
 16 Q. And who is the borrower?  
 17 A. Medical College of Pennsylvania at  
 18 Hahnemann University Hospital System.  
 19 Q. And the date of this Master Note  
 20 Agreement is January 30, 1995; correct?  
 21 A. Yes.  
 22 Q. Is the borrower also the Medical  
 23 College of Pennsylvania Hahnemann University,  
 24 as well as Medical College of Pennsylvania  
 25 Hahnemann University Hospital System?

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1 Gary Seybold  
 2 A. Yes.  
 3 Q. And this is for a \$10 million line  
 4 of credit?  
 5 A. Correct.  
 6 Q. For ease of reference during this  
 7 deposition I will refer to this borrower as  
 8 "MCP."  
 9 Are the terms of this Master Note  
 10 Agreement standard as the terms of the  
 11 Hahnemann --  
 12 MR. BOCCASSINI: Objection to  
 13 form.  
 14 Q. -- line of credit?  
 15 MR. BOCCASSINI: Sorry.  
 16 A. Are you asking are they the same as?  
 17 Q. No. You mentioned --  
 18 A. This would be considered a standard  
 19 Master Note Agreement.  
 20 Q. And what was your role with the MCP  
 21 line of credit?  
 22 A. Again, it was a renewal.  
 23 Q. It was a renewal?  
 24 A. Uh-huh.  
 25 Q. When you began working with these

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1 Gary Seybold  
 2 two lines of credit, the \$7.5 million line of  
 3 credit and the \$10 million line of credit,  
 4 there was a relationship that had already  
 5 formed between CoreStates and the borrowers;  
 6 is that correct?  
 7 A. Yes.  
 8 MR. PAYNE: I am going to mark  
 9 as Exhibit 2732 a document bearing the  
 10 Bates stamp WACH 1957 through 1995.  
 11 (Document marked for  
 12 identification as Exhibit 2732.)  
 13 BY MR. PAYNE:  
 14 Q. After you have flipped through it, I  
 15 want to direct your attention to the page  
 16 numbered 1963.  
 17 A. Okay.  
 18 Q. And you see where it says,  
 19 "Relationship Manager," and it lists, "Gary  
 20 Seybold"?  
 21 A. Yes.  
 22 Q. And you were the relationship  
 23 manager at the time --  
 24 A. Yes.  
 25 Q. -- that this was written?

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1 Gary Seybold  
 2 And it is dated April 1994?  
 3 A. Correct.  
 4 Q. It says, "Prepared by Darron  
 5 Outler."  
 6 Who was Darron Outler?  
 7 A. He was the relationship manager  
 8 before I was.  
 9 Q. Do you know what time period he was  
 10 the relationship manager?  
 11 A. No, I don't.  
 12 Q. Did you assist Mr. Outler with  
 13 preparing this document?  
 14 A. In a very small -- I mean, I was new  
 15 to the relationship, so he did the primary  
 16 review and analysis.  
 17 Q. When did you come onto the  
 18 relationship with Hahnemann?  
 19 A. February.  
 20 Q. February of '94?  
 21 A. Correct.  
 22 Q. What is this document?  
 23 A. This document is formally known as a  
 24 comprehensive memo. In short they call it a  
 25 comp memo.